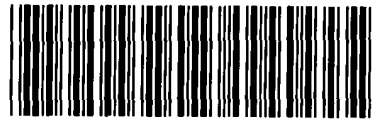


BMO AM Multi-Manager LLP
Members' Report and Financial Statements
for the year ended 31 March 2020
Registered Number OC328350

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Members' Report

The Members of BMO AM Multi-Manager LLP (the 'LLP') (the 'Members') present their Report and the audited Financial Statements for the year ended 31 March 2020.

Principal activity

The principal activity of the LLP is investment management. The LLP is authorised and regulated by the Financial Conduct Authority (FCA).

Results and business review

The results and profit available for distribution to Members for the year ended 31 March 2020 are set out in the Income Statement on page 9.

The movements in the LLP's assets under management (AUM) which drive revenue earned during the latest two financial years are summarised in the tables below:

	1 April 2019 £bn	Inflows £bn	Outflows £bn	Net outflows £bn	Market growth £bn	31 March 2020 £bn
Assets under management	2.9	0.5	(0.7)	(0.2)	(0.4)	2.3

	1 April 2018 £bn	Inflows £bn	Outflows £bn	Net outflows £bn	Market growth £bn	31 March 2019 £bn
Assets under Management	2.9	0.1	(0.2)	(0.1)	0.1	2.9

Revenue has decreased by £2,186,000 in the year ended 31 March 2020 to £20,328,000 (2019: £22,514,000) reflecting a decrease in the assets managed over the year due to net outflows and negative market impact.

Operating expenses have increased by £527,000 from £4,283,000 to £4,810,000 in the year ended 31 March 2020, primarily reflecting an increase in the costs of intra-group services charged to the LLP by BMO AM Capital (UK) Limited. Operating profit of £13,406,000 (2019: £15,786,000) for the reporting period was £2,380,000 lower than the previous year, reflecting the movements above, which were offset by a £333,000 reduction in fee and commission expenses, from £2,445,000 in 2019 to £2,112,000 in 2020.

Future developments

The Members will continue to focus on the management of the existing funds and the associated growth opportunities in the markets in which they operate.

Risks

The LLP adopts a low risk approach to treasury management and financial risks in relation to Members' equity, seeking to ensure that its capital is managed and preserved, and financial risks are managed accordingly. The BMO Asset Management (Holdings) plc Group's (the Group) treasury function ensures sufficient cash is retained by the LLP to meet short-term working and regulatory capital requirements.

Members' Report (continued)

Indirect earnings risk through client assets

As an asset manager the LLP is responsible for managing assets in accordance with the mandates specified by its clients. The assets managed by the LLP are subject to varying degrees of financial risk (market, credit and liquidity). While these risks could result in financial loss or gain through a change in the value of assets under management (AUM), these risks and rewards are fully borne by, or fall to the benefit of, the LLP's clients. However, as the majority of the LLP's asset management fees are quantified as a percentage of AUM, the LLP's revenues are impacted by movements in client assets which are caused by exposure to financial risks. As a result of the direct link between revenues and the value of client assets, the LLP's interests are aligned to those of its clients.

A key risk to the business is that of poor investment performance, which could lead to the subsequent loss of client assets. A key role of the Management Committee is to monitor the fund performance achieved by the investment team. Where it is necessary, actions are taken to change process or personnel with a view to attaining improved performance.

COVID-19

In recent months there has been a rise and rapid expansion of the coronavirus (COVID-19) pandemic outbreak across many continents, with many countries, including the United Kingdom (UK), suspending some business operations and imposing travel restrictions and quarantine measures. These measures and policies have significantly disrupted, and are expected to continue to disrupt, the activities of many entities and the wider global economy. As the pandemic continues, it is challenging at this juncture to predict the full extent and duration of its business and economic impact.

This is a rapidly changing scenario, but the Group, as part of the broader BMO GAM business within the BMO Financial Group, is taking every precaution it can to safeguard its Members and employees, continue serving customers and keep operations running effectively. Key actions taken so far include:

- As part of business continuity plans for the BMO Financial Group, a COVID-19 Steering Committee is in place and running the recovery strategy for BMO from Canada. The Chief Operating Officer of Wealth Management is a member of that Committee and a Director of the Company and therefore provides a direct link to the BMO GAM business;
- The BMO GAM business have formed an Emergency Response Team (ERT), comprised of the Heads of key business functions, co-ordinating actions to address the evolving situation;
- The Group have implemented Group-wide working from home options for all roles that can be performed remotely;
- The Group have engaged with the Group's key third-party outsource service providers, seeking to ensure maintenance of normal operations and service levels; and
- BMO GAM EMEA and BMO Financial Group are issuing regular communications to staff.

The Members consider that there is no impact on the reported Statement of Financial Position of the Group as at the reporting date, other than a slight reduction in management fees arising from a reduction in AUM caused by the market impact at the end of the reporting period. It is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the LLP for the year to 31 March 2021 and potentially beyond that date. While the biggest impact is expected to be reduced revenues as a result of the impact of global markets on the value of the assets managed by the LLP, it is not possible to estimate the overall future financial impact of COVID-19 on the LLP given the unpredictable nature of the outbreak and the inherent uncertainties.

Members' Report (continued)

Regulation

The UK, European and global regulatory environments are evolving rapidly. The expectations of financial regulators are changing and regulated groups must embed regulatory compliance in their business models to an even greater extent than previously required. Regulation has become, in many areas, more complex and onerous, and regulated entities are faced with shorter timelines to interpret and implement new regulation. There is substantial complexity from overlapping regulatory directives. Regulatory change may lead to consolidation in the marketplace, the launch of new products, withdrawal or commoditisation of existing products, and increased reliance on specialist third-party service providers as asset managers increasingly focus on the core activities of investment management, client servicing and distribution.

The Group Compliance team ensures that key regulatory changes are identified at the earliest opportunity. Their impact is then assessed to allow practical guidance on the proper application and interpretation of any changes to be provided to all relevant business areas, including the LLP. Related business change is supervised through the Group's change management process and oversight provided through both the BMO Global Asset Management EMEA Regional Committee and Audit & Compliance Committee.

Designated Members

The following were Designated Members during the year under review:

R Burdett
D Logan
H C Moir
G Potter

Members' Drawings and Capital subscription and repayment

In accordance with the LLP Deed, certain LLP Members are entitled to receive monthly base drawings (Members' remuneration charged as an expense) as agreed by the remuneration committee. To the extent that the base drawings of any Member are in excess of the Member's share of profits in any calendar quarter, together with undrawn profits as brought forward to the beginning of that quarter, the Member in question is obliged to repay this excess to the LLP. Any such excess not repaid by the Member within three months of the date of receipt of the quarterly management accounts, will incur a market-based interest rate.

The distributable profits of the LLP in respect of each calendar quarter are calculated following the allocation of base drawings, and after taking into account the LLP's working capital and regulatory capital requirements. The Management Committee must pre-approve a distribution of profits to Members. The profits available for distribution are subject to a pre-determined agreement regarding their split between Members. Members can request deferral of the allocation of profits to a later period where agreed with the Management Committee.

Each Member of the LLP is required to subscribe a portion of capital in accordance with the LLP Deed, with the Corporate Member making any additional capital contributions which are necessary to meet the FCA's capital adequacy requirements. No interest is paid by the LLP to Members on their capital contributions. The capital requirements of the partnership are determined by the LLP Management Committee and are reviewed on a regular basis. The LLP's Management Committee can request the Corporate Member to make further capital contributions to meet the FCA's capital adequacy requirements, the working capital requirements of the business, or to finance a transaction approved in line with the provisions of the LLP Deed. The Corporate Member is not obliged to fulfil this contribution request. The non-Corporate Members are not required to make additional capital contributions in any circumstances.

In the case of cessation of membership, any capital repayment due to Members is to be settled by the LLP within a six-month period, provided FCA regulatory capital requirements are met. Where the LLP holds regulatory capital in excess of FCA capital adequacy requirements, capital may be repaid to Members provided the capital adequacy minimum requirements continue to be met, and the return of capital to Members is approved in advance by the FCA.

Members' Report (continued)

Capital Requirements Directive

Under Pillar 3 of Capital Requirements Directive IV, the BMO GAM Europe Group is required to disclose information relating to its risks, regulatory capital, remuneration policy and risk management objectives and policies. The BMO GAM Europe Group's Pillar 3 disclosures are provided on BMO GAM's website (www.bmogam.com).

Members' and Officers' liability

The Group maintains insurance cover in respect of Members' and certain non-Members' liability.

On behalf of the Members



D Logan
Designated Member
20 July 2020

Statement of Members' responsibilities in respect of the Members' Report and the Financial Statements

The Members are responsible for preparing the Members' Report and the Financial Statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare Financial Statements for each financial year. Under that law the Members have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the Members must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these Financial Statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the Financial Statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of BMO AM Multi-Manager LLP

Opinion

We have audited the Financial Statements of BMO AM Multi-Manager LLP ("the LLP") for the year ended 31 March 2020 which comprise the Income Statement, Statement of Financial Position, Reconciliation of Members' Interests and related notes, including the accounting policies in note 2.

In our opinion the Financial Statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Members have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Independent Auditor's Report to the Members of BMO AM Multi-Manager LLP
(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 6, the Members are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

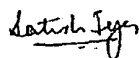
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's Members, as a body, for our audit work, for this report, or for the opinions we have formed.



Satish Iyer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
20 July 2020

Income Statement
For the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Revenue	3	20,328	22,514
Fee and commission expenses		(2,112)	(2,445)
Net revenue		18,216	20,069
Operating expenses	4	(4,810)	(4,283)
Operating profit		13,406	15,786
Finance income	5	39	34
Profit for the reporting period before Members' remuneration and profit shares		13,445	15,820
Members' remuneration charged as an expense		(266)	(264)
Profit for the reporting period available for discretionary division among Members		13,179	15,556

All amounts are derived from continuing activities.

There are no items of comprehensive income which are not already recognised in the profit for the year. Accordingly, the profit for the year is the same as the total comprehensive income for the year.

The notes on pages 12 to 19 form an integral part of these Financial Statements.

Statement of Financial Position
At 31 March 2020
Registered Number OC328350

	Notes	31 March 2020 £000	31 March 2019 £000
Current assets			
Trade and other receivables	8	2,752	3,188
Cash		6,364	6,240
		<u>9,116</u>	<u>9,428</u>
Current liabilities			
Trade and other payables	9	(494)	(258)
Net current assets		<u>8,622</u>	<u>9,170</u>
Net assets attributable to Members		<u>8,622</u>	<u>9,170</u>
Represented by:			
Loans and other debts due to Members within one year			
Members' capital classified as a liability		14	14
Members' other interests			
Member's capital classified as equity	10	4,260	4,260
Other reserves classified as equity	10	4,348	4,896
Total Members' other interests classified as equity		<u>8,608</u>	<u>9,156</u>
Total Members' interests		<u>8,622</u>	<u>9,170</u>

These Financial Statements were approved by the Members on 20 July 2020 and were signed on their behalf by:



D Logan
 Designated Member

The notes on pages 12 to 19 form an integral part of these Financial Statements.

Reconciliation of Members' Interests
For the year ended 31 March 2020

	Equity			Liability			Total
	Members' other interests			Loans and other debts due to Members			Members' interests
	Member's capital classified as equity	Other reserves classified as equity	Total equity	Members' capital classified as a liability	Amounts due to Members classified as a liability	Total liability	Total
£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	3,260	5,124	8,384	12	-	12	8,396
Introduced by Members	1,000	-	1,000	2	-	2	1,002
Members' remuneration charged as an expense	-	-	-	-	264	264	264
Members' remuneration paid to Members	-	-	-	-	(264)	(264)	(264)
Profit for the reporting period available for discretionary division among Members	-	15,556	15,556	-	-	-	15,556
Distribution of profits to Members	-	(15,784)	(15,784)	-	-	-	(15,784)
Balance at 31 March 2019	4,260	4,896	9,156	14	-	14	9,170
Members' remuneration charged as an expense	-	-	-	-	266	266	266
Members' remuneration paid to Members	-	-	-	-	(266)	(266)	(266)
Profit for the reporting period available for discretionary division among Members	-	13,179	13,179	-	-	-	13,179
Distribution of profits to Members	-	(13,727)	(13,727)	-	-	-	(13,727)
Balance at 31 March 2020	4,260	4,348	8,608	14	-	14	8,622

The notes on pages 12 to 19 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Entity information

BMO AM Multi-Manager LLP is a limited liability partnership, incorporated in England. The LLP's registered office is Exchange House, Primrose Street, London, EC2A 2NY.

2. Accounting policies

Basis of preparation and statement of compliance

These Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102), Companies Act 2006 as applicable to LLPs and the Statement of Recommended Practice, Accounting by Limited Liability Partnerships (LLP SORP), issued in December 2018.

The LLP's Financial Statements are presented in Sterling, the LLP's functional and presentational currency, on the basis that this represents the currency of the primary economic environment in which it operates, and are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

The LLP has elected to apply certain exemptions from the FRS 102 disclosure requirements relating to the following areas, for which equivalent disclosure is provided in the consolidated financial statements of the Group:

- Presentation of a Statement of Cash Flows and related notes;
- Related Party Disclosures – key management personnel compensation; and
- Financial instruments disclosures.

Copies of the Group's Annual Report and Financial Statements, in which the LLP is consolidated, are available from the Group's registered office at 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

Going concern

The LLP's activities, together with the factors likely to affect its future development, performance and position are set out in the Members' Report on pages 2 to 4.

As part of the Members assessment of going concern they have considered, as best they can, the potential impact of COVID-19 on the LLP. As disclosed on page 3 it is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the LLP for the year to 31 March 2021 and potentially beyond that date. However, after considering the LLP's financial position and expected future trading activity, the Members have a reasonable expectation that the LLP has adequate resources to continue in business for a period of at least 12 months from the date of approval of the Financial Statements. The LLP therefore continues to adopt the going concern basis in preparing its Financial Statements.

Accounting estimates, assumptions and judgements

The preparation of financial statements necessitates the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting dates as well as the reported income and expenses for the reporting periods. While estimates are based on management's best knowledge and judgement using information and financial data available to them, the actual outcome may differ from these estimates.

No significant estimates or judgements have been applied in the preparation of these Financial Statements.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Summary of significant accounting policies

The following accounting policies have been applied consistently throughout the reporting period in dealing with items which are considered material in relation to the LLP's Financial Statements.

Revenue recognition

Revenue consists of the investment management fees earned on funds under management, net of rebates. Revenue is measured at the fair value of the consideration received or receivable, taking into account the contractually defined terms of payment and excluding any taxes.

Management fees are recognised in the Income Statement over the period for which these investment management services are provided, regardless of when the payment is due.

Fee and commission expenses

Fee and commission expenses primarily comprise renewal commission paid to agents. These costs are expensed as the services are provided.

Finance income

Finance income comprises bank interest receivable and is recognised in the Income Statement as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Cash

Cash comprises cash balances and deposits held at call with banks.

Basic financial instruments – recognition and measurement

A financial asset or financial liability is recognised only when the LLP becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured on initial recognition at the transaction price, including transaction costs.

Financial instruments are classified into the categories described below:

(a) Financial assets that are debt instruments measured at amortised cost

Financial assets consist of cash, amounts owed by group entities, amounts owed by the Corporate Member, other receivables and amounts owed by Members. Subsequent to initial recognition, financial assets are measured at amortised cost using the EIR method and, on the basis that the assets are receivable within one year, are measured at the undiscounted amount of the cash or other consideration expected to be received.

(b) Financial liabilities measured at amortised cost

Financial liabilities consist of amounts owed to group entities, amounts owed to the Corporate Member and accruals. Subsequent to initial recognition, financial liabilities that are debt instruments are measured at amortised cost using the EIR method and, on the basis that the liabilities are payable within one year, are measured at the undiscounted amount of the cash or other consideration expected to be paid.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Basic financial instruments – derecognition

Financial assets

A financial asset or, where applicable, part of a financial asset, is derecognised when the contractual rights to the cash flows from the financial asset expire or are settled.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, is cancelled or expires.

Impairment of financial assets

The LLP assesses at each reporting date, whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Taxation

No provision has been made for tax in the Financial Statements. Each Member is exclusively liable for any tax liabilities arising on their interest in the LLP, which is assessed on the individual Members and not on the LLP.

Liability and equity elements of Members' interests

Members' remuneration charged as an expense

Members' base drawings are treated as payments-on-account of profit allocation, and are treated as an expense in the Income Statement, and as a liability in the Statement of Financial Position until paid, classified as:

- Loans and other debts due to Members within one year – Members' capital classified as a liability.

Members' profit share

The LLP Management Committee is responsible for calculating the profit or loss of the LLP on a quarterly calendar basis in accordance with the LLP Deed. Subject to the prior approval of the Management Committee, profits are substantially distributed, with 90% of calculated profits after the deduction of Member base drawings, and after taking into account the LLP's regulatory capital requirements, being allocated to Members in accordance with agreed distribution allocations. The remaining 10% of profits are allocated to Members following the end of the reporting period, again at the discretion of the Management Committee.

Given the Management Committee's approval over distribution of any profits, including the need to consider the adequacy of working and regulatory capital prior to allocating profits, even where the allocation is pre-agreed, the Members' profit share is considered equity rather than debt in nature. The profit share is classified as follows in the Statement of Financial Position:

- Members' other interests – Other reserves classified as equity.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Non-Corporate Members' capital

On leaving the partnership under normal business circumstances, non-Corporate Members are unconditionally entitled to repayment of their capital within a six-month period, provided the FCA capital adequacy requirements have been met. The return of capital to Members is therefore deemed non-discretionary, with the Non-Corporate Members' capital contribution treated as a liability and disclosed in the Statement of Financial Position under:

- Loans and other debts due to Members within one year – Members' capital classified as a liability.

Any amounts owed by Members are recorded as an asset in the Statement of Financial Position under:

- Trade and other receivables – Amounts owed by Members.

Corporate Member's capital

The Corporate Member's capital is only repayable on either the winding up or the sale of the LLP and is paid out of a surplus of assets or sale proceeds following settlement of all creditor liabilities, in addition to expenses of the winding up or sale respectively. The Members have concluded that due to the residual and discretionary basis of the Corporate Member's capital repayment, the Capital is considered equity in nature, and on this basis has been classified in the Statement of Financial Position under:

- Members' other interests – Member's capital classified as equity.

3. Revenue

Investment management fees and other income earned in each year were as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Investment management fees	20,299	22,405
Other income	29	109
	<u>20,328</u>	<u>22,514</u>

Notes to the Financial Statements (continued)

4. Operating expenses

Total operating expenses can be summarised by nature as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Administration and other overhead expenses [†]	3,465	2,936
Employee and member benefits and related expenses*	1,211	1,243
Communication and information technology expenses	113	99
Promotional and client servicing expenses	21	5
Total operating expenses	<u>4,810</u>	<u>4,283</u>

[†] These amounts have predominantly been recharged to the LLP from BMO AM Capital (UK) Limited.

* This includes £114,000 (2019: £138,000) of employment-related expenses (e.g. travel, training etc.) which are not employee benefit expenses and are therefore excluded from the table in note 7. These amounts have predominantly been recharged to the LLP from BMO Asset Management (Services) Limited.

Operating profit is stated after charging:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Auditor's remuneration: Audit fees	14	14
Foreign exchange losses	2	-

Amounts receivable by the LLP's auditor in respect of services to the LLP, other than for the audit of the LLP's Financial Statements, have not been disclosed as the information is disclosed on a consolidated basis in the Annual Report and Financial Statements of BMO Asset Management (Holdings) plc.

5. Finance income

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Bank interest receivable	39	34

6. Remuneration of Members

Members' remuneration has been calculated based on the total of Members' remuneration charged as an expense plus any distributions of profits to Members which have been pre-approved by the Management Committee during the reporting period.

All profits and losses are divided among the Members in accordance with the LLP Deed. The average number of LLP Members during the year ended 31 March 2020 was 6 (2019: 6). The largest entitlement to a share of profits (including Members' remuneration) that were approved for distribution to Members during the year ended 31 March 2020 was £10.3 million (2019: £12.0 million).

Notes to the Financial Statements (continued)

7. Employees

BMO Asset Management (Services) Limited is the Group's main employee service company in the UK and seconded employees to the LLP. The average number of employees seconded to the LLP (excluding Members) during the year was 8 (2019: 8). The total cost of seconded employees, excluding Members profit share, paid by BMO Asset Management (Services) Limited on behalf of the LLP was:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Wages and salaries expenses	672	664
Social security expenses	162	134
Defined contribution pension expenses	77	75
Incentive compensation expenses	186	232
	<u>1,097</u>	<u>1,105</u>

8. Trade and other receivables

	31 March 2020 £000	31 March 2019 £000
Current:		
Amounts owed by group entities	2,701	3,004
Prepayments	44	39
Other receivables	5	3
Amounts owed by Members	2	2
Amounts owed by Corporate Member	-	140
	<u>2,752</u>	<u>3,188</u>

9. Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current:		
Amounts owed to Corporate Member	246	-
Amounts owed to group entities	217	235
Accruals	31	23
	<u>494</u>	<u>258</u>

In the event of a winding up or disposal of the business, creditors rank above Members' other interests in order of repayment. Further details are disclosed in note 10.

Notes to the Financial Statements (continued)

10. Nature and purpose of Members' interests

Members' capital

Members are required to make capital contributions in accordance with the LLP Deed as determined by the Management Committee. No member is entitled to receive interest on their capital contribution. The Management Committee can determine to return capital contributions to Members provided sufficient regulatory capital exists and the transaction is approved by the FCA.

In the event of (i) the winding up or (ii) any sale of the business and assets of the LLP:

- (i) Any surplus assets of the LLP over its liabilities remaining at the conclusion of the winding up after payment of all monies due to creditors of the LLP and all expenses of the winding up; or
- (ii) The sale proceeds after payment of all expenses of the sale together with the amount standing to the credit of the Members' capital accounts less any negative balance on the Members' loss reserves accounts, shall be payable to the Members in the following order of priority:
 - (1) the Corporate Member shall first be entitled to receive a sum equal to the cash capital contribution made by it pursuant to FCA capital adequacy requirements, as reduced by any amounts in respect of the assets or proceeds of the sale of the LLP which are insufficient to repay the total;
 - (2) each Member shall then receive an amount equal to the value of their capital contributions, reduced to the extent the amounts realised in respect of the assets or proceeds of the LLP are insufficient to repay the total of such capital contributions;
 - (3) the remaining surplus assets or sale proceeds after payment of the amounts above shall be distributed in equal priority between the Corporate Member and the Members in accordance with the allocation in the LLP Deed.

In the case of cessation of membership, any capital repayment due to Members is to be settled by the LLP within a six-month period, provided FCA regulatory capital requirements are met.

Members profit shares

Profits of the LLP, other than those automatically distributed by way of Members' base drawings, are available for distribution by the Management Committee. Approved allocations of profits are distributed to Members in accordance with pre-agreed proportions.

Notes to the Financial Statements (continued)

11. Related party transactions

The LLP has taken advantage of the exemption in Section 33 'Related Party Disclosures' of FRS 102 to not provide details of transactions between the LLP and other entities in the Group on the basis that these entities are wholly owned by the Group.

The non-Corporate Designated Members are considered to be related parties where they are involved in the management of the LLP.

Transactions with such non-Corporate Members for each reporting period and the balances due to/(from) those Members are as follows:

	Transactions for the year ended 31 March 2020 £000	Outstanding at 31 March 2020 £000	Transactions for the year ended 31 March 2019 £000	Outstanding at 31 March 2019 £000
Members' remuneration charged as an expense	266	-	264	-
Profit approved and distributed to Members during the reporting period	2,900	-	3,436	-
Members' capital classified as a liability	-	(2)	-	(2)

The Members are not aware of any other related party transactions.

12. Ultimate controlling party

BMO AM Capital (UK) Limited, a subsidiary of BMO Asset Management (Holdings) plc, is the Corporate Member of the LLP. At 31 March 2019, the smallest group of which the LLP was a member and for which an Annual Report and Financial Statements was prepared was BMO Asset Management (Holdings) plc, which is registered in Scotland. Copies of the Annual Report and Financial Statements of BMO Asset Management (Holdings) plc can be obtained from its registered office at 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

The ultimate parent and controlling party of BMO Asset Management (Holdings) plc is Bank of Montreal, a company incorporated in Canada. Bank of Montreal's registered address is 129, rue Saint-Jacques, Montréal, Québec, H2Y 1L6, Canada. The consolidated financial statements of Bank of Montreal are available from Corporate Communications Department, BMO Financial Group, 28th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

13. Events after the Reporting Date

Members' profit distributions

During the period between the reporting date and the date of approval of these Financial Statements, Members' distributions of £3,919,000 were made in respect of the retained profits included within 'Members' other interests – Other reserves classified as equity' at 31 March 2020.